



CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

June 12, 2000

H.R. 4227 **Technology Worker Temporary Relief Act**

As ordered reported by the House Committee on the Judiciary on May 17, 2000

SUMMARY

H.R. 4227 would increase the number of nonimmigrant (temporary) visas, known as H-1B visas, available for certain skilled foreign workers and would establish two new fees that must be paid by employers of these workers. The bill would make several other changes to current laws relating to the employment of skilled foreign workers, including placing additional conditions on employers that hire such workers. In addition, it would direct the General Accounting Office (GAO) to conduct three studies on issues relating to skilled foreign workers.

CBO estimates that implementing H.R. 4227 would cost about \$1 million in fiscal year 2001, assuming the availability of appropriated funds. In addition, we estimate that the bill would decrease net direct spending by \$12 million over the 2000-2005 period. Because H.R. 4227 would affect direct spending, pay-as-you-go procedures would apply.

H.R. 4227 contains intergovernmental mandates as defined in the Unfunded Mandates Reform Act (UMRA), but CBO estimates that the costs of complying with these mandates would be very small and would not exceed the threshold established in that act (\$55 million in 2000, adjusted annually for inflation).

H.R. 4227 would create several new private-sector mandates for businesses that hire H-1B visa holders. These mandates include new restrictions on H-1B holders' salaries and working conditions, new processing and noncompliance fees, and new reporting requirements. CBO estimates that the total costs of these mandates would exceed the annual threshold established in UMRA for the private sector (\$109 million in 2000, adjusted annually for inflation). The bill would also benefit such businesses by easing current legal limits on the number of H-1B visas that may be issued over the next few years. CBO will provide a more detailed estimate of the impact of this legislation on the private sector in a separate statement.

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of H.R. 4227 is shown in Table 1. The costs of this legislation fall within budget functions 150 (international affairs), 250 (general science, space, and technology), 500 (education, training, employment, and social services) and 750 (administration of justice).

TABLE 1. Estimated Budgetary Effects of H.R. 4227, the Technology Worker Temporary Relief Act

	By Fiscal Year, in Millions of Dollars					
	2000	2001	2002	2003	2004	2005
CHANGES IN SPENDING SUBJECT TO APPROPRIATION						
Estimated Authorization Level	0	1	0	0	0	0
Estimated Outlays	0	1	0	0	0	0
DIRECT SPENDING						
Net Spending of Visa Fees Under Current Law						
Estimated Budget Authority	0	0	0	0	0	0
Estimated Outlays	-39	-9	72	36	9	0
Proposed Changes						
INS Administrative Fees						
Estimated Budget Authority	-4	-8	-14	-6	-9	-11
Estimated Outlays	-4	-8	-14	-6	-9	-11
H-1B Petitioner Fees						
Estimated Budget Authority	-18	-34	0	0	0	0
Estimated Outlays	-18	-34	0	0	0	0
New Fees						
Estimated Budget Authority	0	-54	-59	-36	-38	-42
Estimated Outlays	0	-54	-59	-36	-38	-42
Department of State Fees						
Estimated Budget Authority	-2	-3	-5	0	0	0
Estimated Outlays	-2	-3	-5	0	0	0
Total Change in Visa Fee Collections						
Estimated Budget Authority	-24	-99	-78	-42	-47	-53
Estimated Outlays	-24	-99	-78	-42	-47	-53
Additional Spending from Visa Fees						
Estimated Budget Authority	24	99	78	42	47	53
Estimated Outlays	6	63	94	61	55	52
Net Change in Direct Spending						
Estimated Budget Authority	0	0	0	0	0	0
Estimated Outlays	-18	-36	16	19	8	-1
Net Spending of Visa Fees Under H.R. 4227						
Estimated Budget Authority	0	0	0	0	0	0
Estimated Outlays	-57	-45	88	55	17	-1

BASIS OF ESTIMATE

For this estimate, CBO assumes that H.R. 4227 will be enacted by August 1, 2000. The bill would affect direct spending, beginning soon after enactment. In addition, implementing the bill would have a minor impact on discretionary spending in 2001.

Spending Subject to Appropriation

Based on information from GAO, CBO estimates that the studies concerning skilled foreign workers required by the bill would cost about \$1 million in fiscal year 2001, assuming appropriation of the necessary funds.

Direct Spending

CBO estimates that enacting the bill would decrease direct spending by about \$12 million over the 2000-2005 period. Those changes would result from increased collections of visa fees, net of additional spending from collected funds.

H.R. 4227 would remove the cap on the number of H-1B visas available for fiscal year 2000 and would exempt most individuals from the caps for fiscal years 2001 and 2002. The current cap for 2000 (115,000 visas) was reached in March. Based on the application rate from October of 1999 to February of 2000 and the anticipated demand for H-1B visas under the bill's conditions, CBO estimates that H.R. 4227 would increase the number of applications for these visas by about 40,000 for the remaining part of fiscal year 2000, by 72,500 in fiscal year 2001, and by 115,000 in fiscal year 2002. Table 2 shows the number of visas authorized by current law and the estimated application levels under H.R. 4227.

TABLE 2. Number of H-1B Visas Authorized Under H.R. 4227

	2000	2001	2002
H-1B Visas Authorized Under Current Law	115,000	107,500	65,000
Estimated Additional Applications Under H.R. 4227	<u>40,000</u>	<u>72,500</u>	<u>115,000</u>
Estimated Total H-1B Visa Applications Under H.R. 4227	155,000	180,000	180,000

INS Administrative Fees. The administrative fee for these visas is \$110 each, which is paid when an application is submitted. This fee must be paid by H-1B applicants, by H-1B nonimmigrants who want to change employers, and by H-1B nonimmigrants who want to extend their stay in the United States beyond the initial period of authorization (usually three years). CBO estimates that almost all of the additional persons receiving visas under H.R. 4227 over the 2000-2002 period would change employers or extend their stay during the 2003-2005 period. Thus, enacting the bill would increase fees collected by the INS by about \$4 million in fiscal year 2000 and by \$53 million over the 2000-2005 period.

We expect that the INS would spend the fees (without appropriation action), mostly in the year in which they are collected. Thus, eliminating the cap on H-1B visas would result in a small net budgetary impact in each year due to increase collections of INS administrative fees.

H-1B Petitioner Fees. In addition to the INS administrative fees collected under this bill, most employers of the affected workers must pay a petitioner fee of \$500 per worker hired by October 1, 2001. Like the administrative fee, this fee must be paid for H-1B applicants, for H-1B nonimmigrants who want to change employers, and for H-1B nonimmigrants who want to extend their stay in the United States beyond the initial period of authorization. CBO estimates that the INS would collect additional petitioner fees of \$18 million in fiscal year 2000 and \$34 million in 2001.

The additional petitioner fees could be spent without further appropriation by the Department of Labor (DOL) to help train domestic workers for jobs in the technology sector, by the National Science Foundation for certain scholarship and science education initiatives, and by DOL and INS for administrative expenses. Because spending of the petitioner fees would lag behind the collections, CBO estimates that this provision would have a net negative effect on outlays in fiscal years 2000 and 2001, a net positive effect in 2002 through 2004, and a net effect of zero over the 2000-2005 period.

New Fees. In addition to the fees paid under current law, H.R. 4227 would impose two new fees on employers that hire H-1B workers, a processing fee of \$200 and a compliance fee of \$100, to be paid for H-1B applicants and for H-1B nonimmigrants who want to change employers. CBO expects that the INS would not be prepared to collect the fees until fiscal year 2001. These new fees would be collected from the additional visa applicants allowed by the bill, and from expected applicants under current law. CBO estimates that enacting H.R. 4227 would result in new fee collections of \$54 million in 2001 and \$229 million over the 2001-2005 period.

As above, collections would be available for spending without further appropriation. The INS, DOL, and the Department of State would spend those collections to improve the

operation of the H-1B visa program. We expect spending of these new fees to lag behind the collections by a few years, so this provision would have a net negative effect of about \$10 million over the 2000-2005 period.

Other Effects. Allowing more H-1B workers to enter the United States also would increase the amount of fees collected by the Department of State for these visas. That fee is currently set at \$45 per person. CBO estimates that the State Department would collect and spend an additional \$10 million over the 2000-2002 period, and that the net budgetary impact would be around \$1 million or less each year.

Individuals classified as nonimmigrants are ineligible for most federal public benefits, with a few exceptions that include emergency Medicaid services. Given that H-1B visa recipients are skilled workers admitted for employment, CBO expects that any increase in costs for emergency medicaid services would not be significant.

PAY-AS-YOU-GO CONSIDERATIONS

The Balanced Budget and Emergency Deficit Control Act sets up pay-as-you-go procedures for legislation affecting direct spending or receipts. The net changes in outlays that are subject to pay-as-you-go procedures are shown in Table 3. For the purposes of enforcing pay-as-you-go procedures, only the effects in the current year, the budget year, and the succeeding four years are counted.

TABLE 3. Estimated Impact of H.R. 4227 on Direct Spending and Receipts

	By Fiscal Year, in Millions of Dollars										
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Changes in outlays	-18	-36	16	19	8	-1	0	0	0	0	0
Changes in receipts	Not applicable										

ESTIMATED IMPACT ON STATE, LOCAL, AND TRIBAL GOVERNMENTS

H.R. 4227 would require employers of H-1B visa holders, including state and local governments, to (1) pay two new fees (a processing fee of \$200 per worker and a compliance fee of \$100 per worker); (2) employ H-1B workers full time, for at least 35 hours per week;

(3) pay a minimum salary of \$40,000 to each such worker, except education and research workers; and (4) report specified employment information. These requirements would be intergovernmental mandates as defined in UMRA. However, based on the relatively small number of H-1B workers expected to be hired by state and local governments who are not exempted from the salary requirement, CBO estimates that the costs to state and local governments would be very small and would not exceed the threshold established in UMRA (\$55 million in 2000, adjusted annually for inflation).

ESTIMATED IMPACT ON THE PRIVATE SECTOR

H.R. 4227 would create several new private-sector mandates for businesses that hire H-1B visa holders. These mandates include new restrictions on H-1B holders' salaries and working conditions, new processing and noncompliance fees, and new reporting requirements. CBO estimates that the total costs of these mandates would exceed the annual threshold established in UMRA for the private sector (\$109 million in 2000, adjusted annually for inflation). The bill would also benefit such businesses by easing current legal limits on the number of H-1B visas that may be issued over the next few years. CBO will provide a more detailed estimate of the impact of this legislation on the private sector in a separate statement.

PREVIOUS CBO ESTIMATE

On April 10, 2000, CBO transmitted a cost estimate for S. 2045, the American Competitiveness in the Twenty-First Century Act of 2000, as ordered reported by the Senate Committee on the Judiciary on March 9, 2000. That legislation would authorize the appropriation of \$20 million annually over the 2001-2006 period for after-school technology programs, would extend the \$500 petitioner fee through fiscal year 2002, and would not establish any new fees for employers of H-1B nonimmigrants. The two cost estimates reflect these three major differences.

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